

# USAID EMPOWER PRIVATE SECTOR ACTIVITY - IN PARTNERSHIP WITH SIDA

ANNUAL REPORT Y2 INCLUDING QUARTERLY REPORT #9

*Project Year 2, October 2015-September 2016*



In Year 2, USAID EMPOWER Private Sector, in partnership with Sida, and in cooperation with MTI and AWPK, initiated and supported the opening of the first ever shared showroom of Kosovo-produced wood products in a foreign country. Furniture and interior elements made in Kosovo are now sold in Germany under the brand name “Schwarzwald Massivholz”. This solid wood chair is made in Kosovo.

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**#9**

OCTOBER 2015-SEPTEMBER 2016

**Submitted by:**

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EMPOWER Private Sector

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## 1. SUMMARY OF PROGRESS

**EMPOWER Private Sector** (“EMPOWER”, or “the Project”), a USAID-sponsored project in partnership with Sida, is dedicated to Kosovo’s economic growth. It began in July 2014, has an expected term of five years, and an original budget of approximately \$10 million that was expanded to approximately \$14 million by means of a Sida contribution to USAID that occurred during project year 2 (“Y2”). The Project has a staff of 16, plus 5 interns, and is headquartered in Pristina, with a branch office in North Mitrovica. It is implemented by Cardno Emerging Markets USA, with subcontractors Crimson Capital, a U.S. small business, and RTC Consulting, a Kosovo firm.

EMPOWER’s overarching objective is **job creation**. Job creation comes only from businesses that have market opportunities and, to meet them, need to increase their employment in order to produce more goods and services. To support job creation, EMPOWER aims to help *firms* expand and improve their capacities to sell into identified demand opportunities, while helping *individuals* obtain skills in demand on job markets by growing firms. These themes are reflected in EMPOWER’s two primary work components: (1) SME-level competitiveness and (2) workforce development.

This report fulfills contractual requirements for annual and quarterly reporting of project progress. It covers results through the second full year of EMPOWER’s 5-year term – October 2015 to September 2016 – and breaks out the 9<sup>th</sup> quarter, July-September 2016.<sup>1</sup>

### 1.1 Summary for Year 2

#### 1.1.1 Allocation of Assistance Budget

EMPOWER provides its support through technical assistance combined with grants and procurements from its \$4.0MM Strategic Activities Fund (SAF), complemented by other project budgetary resources for short-term technical assistance, meetings and international travel, and its own long-term technical staff.

Through the publication of Annual Program Statements, EMPOWER has issued two calls for applications for assistance, one in January 2015 (APS 1), and one in June 2016 (APS 2). These invitations attracted over 900 applications requesting nearly \$50MM in assistance. Of these, by the end of Y2, 132 had been selected for support, organized as follows:

Table 1: Supported Activities through Y2			
Intervention Category	# Activities	Budget Committed	Share
Production Expansion	57	\$2,171,000	67.1%
Connection to Markets	48	\$558,000	17.2%
Workforce Development	20	\$367,000	11.3%
Productivity and Quality	3	\$78,000	2.4%
Business Environment	4	\$62,000	1.9%
<b>Total</b>	<b>132</b>	<b>\$3,236,000</b>	<b>100.0%</b>

<sup>1</sup> The project started in July 2014. At USAID’s request, the annual report periodicity was realigned to the USAID fiscal year, so that the first annual report covered quarters 1-5, through September 2015. Subsequent reports will cover four quarters each (6-9, 10-13, etc), until the final one for Y5, which will cover three quarters.

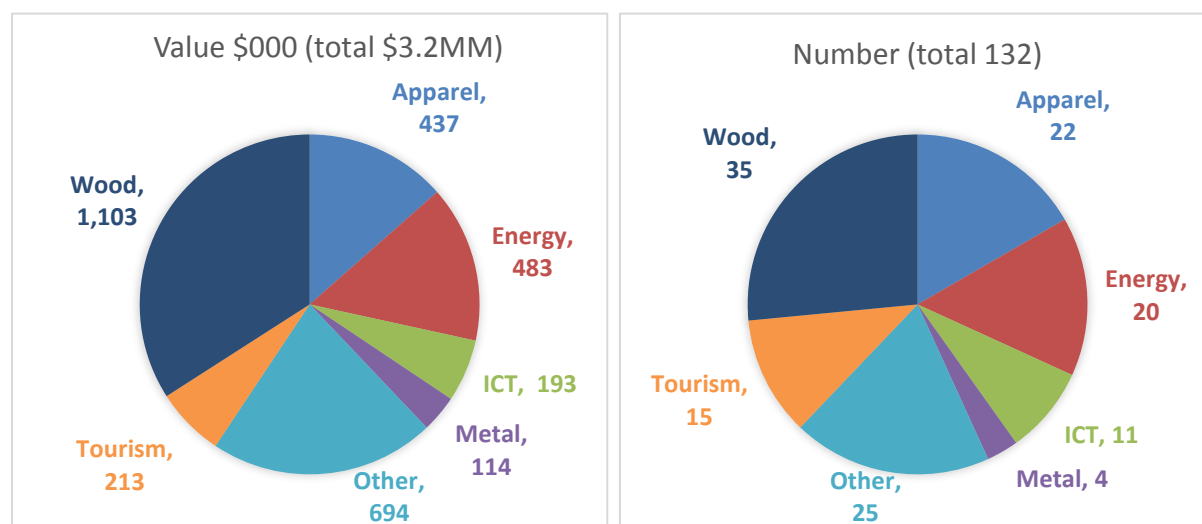
Since all jobs are created in companies, and since the Project aimed to establish a basis for substantial new job creation as quickly as possible, EMPOWER's major focus through Y2 was to *identify Kosovo SMEs with clear market opportunities*, and then to evaluate and address their principal challenges in realizing those opportunities. EMPOWER has found a very wide range of SMEs with such opportunities in Kosovo, both in the Project's main focus sectors – wood, apparel, and energy – and in many other value chains, including metal fabrication, processed food, cosmetics, automotive parts, and tourism. Furthermore, these SMEs have spanned a wide size range, from microenterprises of less than 10 employees to a few companies with over 50 employees. Of the 183 firms that are direct beneficiaries of the Project, employment in Y2 averaged about 25, and sales of around \$1.1MM – typical of what we call “true SMEs”.

In most cases, the first thing these companies needed was growth finance, to enable the acquisition of production equipment to expand their physical supply capacities in order to meet market demand. When owner capital is exhausted, expanding production technology requires access to outside finance. While the Kosovo banking system does supply finance, for many SMEs availability is limited, especially for those rapidly-growing companies that have already committed available real estate collateral. At the same time, sources of nonbank finance – so useful to SMEs in well-developed financial systems – are almost nonexistent in Kosovo.<sup>2</sup>

Therefore, as can be seen from Table 1 above, two-thirds of EMPOWER support through Y2 went to co-financing the expansion of companies' production operations. A significant share of the balance went toward helping them widen their connections to buyers, mainly for exporting. Most of the rest of Project support went to EMPOWER's other principal channel for immediate job creation: workforce skills development, conducted through company internships and education and training providers.

The great majority of EMPOWER's support to companies came from the SAF, which funded 106 of the 132 interventions. By the end of Y2, \$3.1MM – just over three-fourths of the currently SAF budget – had been committed.

Figure 1: Distribution of EMPOWER Interventions by Sector



<sup>2</sup> The Crimson Finance Fund, launched with USAID support, is a rare exception.

### 1.1.2 Progress vs. Performance Management Indicators

The 132 interventions approved and initiated through Year 2 covered six discrete product sectors, plus “other” (which includes “general”). The principal results in terms of SME competitiveness and workforce development of these interventions are provided in the following table, highlighting EMPOWER’s top-line Performance Management Indicators (PMIs), organized by focus sector. The table presents the PMI additions for Q9, Y2, and cumulatively from Project outset through September 2016.

Table 2: Key PMIs by Sector									
Sector	#Jobs			Sales Growth \$000			WfD Participants		
	Q9	Y2	Cuml	Q9	Y2	Cuml	Q9	Y2	Cuml
Apparel	12	75	192	375	1,395	1,515		9	98
Energy	32	153	162	938	1,396	1,586	9	74	74
ICT	47	164	411	1,121	3,401	3,849	85	155	526
Metal	14	20	20	36	331	331			
Other*	42	92	107	421	1,120	1,161	14	51	70*
Tourism		11	11		266	374		35	70
Wood	79	292	369	5,460	6,607	6,765		40	40
<b>TOTAL</b>	<b>225</b>	<b>807</b>	<b>1,272</b>	<b>\$8,350</b>	<b>\$14,515</b>	<b>\$15,580</b>	<b>108</b>	<b>375</b>	<b>878</b>

\* Includes “general”

Through Y2, through its 132 activities – an average of over one new activity designed and initiated every week since the beginning of the Project – EMPOWER invested **\$3.2MM** from its own assistance resources, which was complemented by **\$11.7MM** in co-financing from beneficiaries, other donors, GoK agencies, and financial institutions. These interventions created **1,272** actual jobs and **\$15.6MM** in new sales through Y2, of which **807** new jobs and **\$14.5MM** in new sales were realized during Y2 itself. Meanwhile, there were **355** new participants in EMPOWER-supported workforce skills training programs during Y2, bringing the total since Project outset to **878**. The majority of WfD participants were in internships.

While impressive, these achievements were below original expectations for the first two years of the Project for sales growth and job creation, as can be seen in Table 3 below. The main reason for this was delay in how quickly EMPOWER interventions began to get off the ground. Most of Y1 was taken up with the preparation of a *Sector Assessment and Selection Report*, preparing and publishing APS 1, and then receipt, evaluation, and approval of applications for assistance. Actual grant disbursements / interventions took off only late in Y1. Furthermore, the original PMI targets failed adequately to take account of the fact that impact would be limited during the first year following grant approvals for production expansion, because equipment would have to be ordered and installed before employment and sales impact could occur.

Nevertheless, once EMPOWER interventions did get underway, the sales growth and job creation impact was relatively rapid, as can be seen in results for Y2.

Table 3: PMIs - Targets vs. Actual - Cumulative					
PMI	Unit	Y1		Y2	
		Target	Actual	Target	Actual
Number of enterprise beneficiaries	#	150	91	260	183 (340*)
<b>Aggregate sales increase</b>	<b>\$000</b>	<b>6,608</b>	<b>1,065</b>	<b>61,824</b>	<b>15,580</b>
Aggregate exports increase	\$000	3,102	738	16,755	8,208
Business size expansion	#	5	4	10	16
<b>New geographic markets entered</b>	<b>#</b>	<b>10</b>	<b>26</b>	<b>20</b>	<b>111</b>
<b>New products introduced</b>	<b>#</b>	<b>10</b>	<b>16</b>	<b>20</b>	<b>48</b>
Companies investing in new technologies	#		26	20	38
<b>Total new jobs</b>	<b>#</b>	<b>250</b>	<b>465</b>	<b>2,800</b>	<b>1,272</b>
Investment leverage	ratio	3.0x	5.5x	3.0x	5.8x

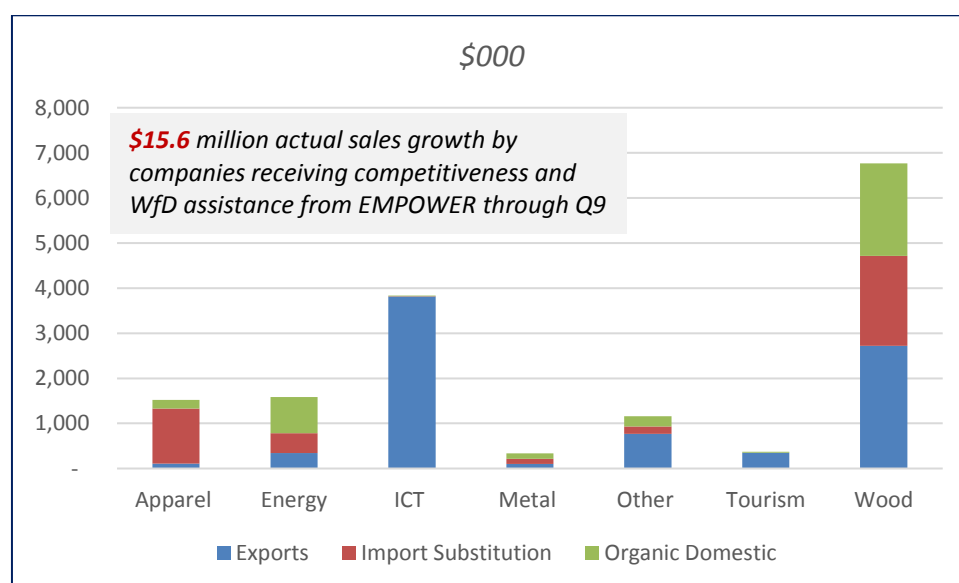
\* Including Supplier Beneficiaries – direct suppliers of production inputs to growing Primary Beneficiaries.

Meanwhile, some of the other PMIs bode well for greater impact over the remainder of the Project. The number of new markets and number of new product introductions, as well as investments in new technology, substantially exceeded original targets, supporting in particular prospects for substantial export growth in the years ahead.

### 1.1.3 Analysis of Sales and Jobs Growth by Sector

The following chart highlights the Project's impact on beneficiaries' sales through Y2 – the main driver of job creation:

Figure 2: Sales Growth through Y2



The chart shows that most of the sales growth has occurred in the wood sector, but promising results can also be seen in ICT, apparel, energy, and "other". It is also interesting to note the differences across the sectors in the sources of sales growth. For wood, ICT, and other, export sales are a key driver, while for apparel, the main market opportunity has been import substitution. Energy sector sales growth has been primarily "organic" – meaning that it is addressing a growing domestic market (so far mostly for renewable biomass heating fuels), independent of import substitution – and this has also been a source of wood sector growth.



Tourism is entirely export oriented, but its growth is something that can only occur over a long period, the result of sustained efforts in promotion of Kosovo on global tourism markets, and improving the quality of its tourism products and services.

The following table compares attributable sales growth to Project investments by sector.

<i>Table 4: EMPOWER Investment vs Sales Impact by Sector</i>				
<b>Sector</b>	<b># Activities</b>	<b>EMP Inv \$000</b>	<b>Sales Incr \$000</b>	<b>ROI Sales/EMP\$</b>
Apparel	22	437	1,515	3.5
Energy	20	483	1,586	3.3
ICT	11	193	3,849	19.9
Metal	4	114	331	2.9
Other*	25	693	1,161	1.7
Tourism	15	213	374	1.8
Wood	35	1103	6,765	6.1
<b>TOTAL</b>	<b>132</b>	<b>\$3,236</b>	<b>\$15,581</b>	<b>4.8</b>

EMPOWER's investment of \$3.2MM in 132 activities (interventions) has generated \$15.6MM in sales growth so far. This works out to a return on investment of 4.8x, ranging from under 2.0x for tourism and other, to nearly 20x for ICT. We expect the average ROI to rise substantially as beneficiaries continue to increase their sales and employment over the life of the project as a result of EMPOWER support.

The following table presents ROI in terms of job creation. In addition to actual new jobs through Y2, it also shows the expected life-of-project ratios, since it is on that basis that EMPOWER ranks and selects interventions to support.

<i>Table 5: EMPOWER Investment vs Job Creation Impact by Sector</i>					
<b>Sector</b>	<b>EMP \$000</b>	<b>Jobs Actual</b>		<b>ROI EMP\$/Job</b>	
			<b>LOP</b>	<b>Actual</b>	<b>LOP</b>
Apparel	437	192	397	2,276	1,101
Energy	483	162	459	2,981	1,052
ICT	193	411	625	470	309
Metal	114	20	76	5,700	1,500
Other*	693	107	768	6,477	902
Tourism	213	11	24	19,364	8,875
Wood	1,103	369	987	2,989	1,118
<b>TOTAL</b>	<b>\$3,236</b>	<b>1,272</b>	<b>3,336</b>	<b>\$2,544</b>	<b>\$970</b>

So far, EMPOWER has invested about \$2,500 for each job created. Eventually, as the beneficiary firms continue to grow thanks to the Project's assistance, we expect this ratio to drop below \$1,000 – our operating target for investment selection.

### 1.1.4 Summary of Impact by Support Area

We noted in Table 1 above that the majority of the 132 EMPOWER interventions initiated through Y2 were in three support areas: (i) production expansion, (ii) connection to market, and (iii) workforce development. Table 6 below shows a breakdown of impact, and some indicators of return on investment.

Table 6: EMPOWER Investment vs Impact, by Support Area								
Support Area	# Beneficiaries*		New Jobs		Sales Increase		Sales /EMP\$ <sup>+</sup>	EMP\$ /Job <sup>+</sup>
	Cuml	Y2	Cuml	Y2	Cuml	Y2		
Production	214	86	671	493	8,356	7,822	3.8	3,235
Markets	78	54	110	87	3,394	2,948	6.1	5,073
WfD/Skills	48	12	491	227	3,381	3,353	9.2	747
<b>TOTAL</b>	<b>340</b>	<b>152</b>	<b>1,272</b>	<b>807</b>	<b>\$15,580</b>	<b>\$14,515</b>	<b>4.7x</b>	<b>\$2,544</b>

\* Includes Supplier Beneficiaries + Calculated on cumulative data

**Production expansion** interventions accounted for **671** new jobs through Y2 – just over half of the total attributable to EMPOWER support. Of these interventions, **32** were initiated in Y2, accounting for **493** new jobs and **\$7.8MM** in new sales growth during the year from all activities. Notable production expansion interventions benefitted a solid wood furniture producer in Mitrovica, a confectionary company in Ferizaj, a distiller of essential oils in Leposavić, an energy-efficient steam cleaning services provider in Pristina, an insulated appliances producer in Prizren, and many others – indicating the wide range of market opportunities available to Kosovo SMEs if they can finance the expansion of their supply capacities.

EMPOWER's **connection to markets** interventions have also shown a high multiple – 6.1x – in terms of sales dollars per dollar of Project investment. The Project has helped beneficiaries become export-ready, and enabled them to begin representing Kosovo at major European and global trade shows for the first time. These led among other things in Y2 to the establishment of the first formal agreement with a producer sales agency (PSA) for Kosovo furniture producers in a major export market – Germany – and the opening of a permanent shared showroom there for Kosovo products, already generating over \$1MM in new sales during Y2. EMPOWER also organized and launched the First Kosovo Green Festival, focused on the renewable energy, recycling, and energy efficiency industries, to stimulate sales within of these businesses within the country and attract foreign buyers. Actual sales realized during Y2 for Project-supported participation in **34** market connection activities amounted to **\$2.9MM**, and **87** attributed new jobs.<sup>3</sup>

As seen in Table 6, **workforce development** activities also accounted for a substantial share of job creation – **491** since the beginning of the project, of which **227** during Y2. **10** new WfD interventions were initiated by EMPOWER in Y2, actually involving **158** trainees, of which 46 were in internship programs; in Y2, from all 21 WfD activities, were a total of 375 trainees and 226 interns. Though lower than production expansion in contribution to sales, WfD scores best in terms of the attributable sales multiple (9.1x) per dollar of EMPOWER investment, and in EMPOWER investment per job (\$747). The ICT sector, and its call center subsector, are

<sup>3</sup> Detailed list of the fairs and results is in Annex 5 of this report.

examples of EMPOWER investments in skills development leading to substantial employment. WfD activities tend to have immediate employment impact, and in fact, through Y2, fully **62%** of participants in EMPOWER-supported WfD programs obtained full-time employment upon completion of their skills training or internship activities.

Also in workforce development, EMPOWER supported VET system improvement by organizing and launching two VET Local Councils – public-private dialog mechanisms to identify and address priority workforce skills needs – in Prizren and one in Mitrovica. By year-end, the Prizren VETLC was meeting regularly, and the Mitrovica one had held its kickoff meeting.

In addition to these three major work areas, EMPOWER initiated support for **Quality and Productivity** improvement in Y2. The Project engaged STTA to consult with firms in the wood and apparel sectors in these areas. A major new development during the year was the establishment, at EMPOWER's initiative, of a *Quality Certification Collaboration* with EBRD. EMPOWER conducted a survey of its beneficiaries to determine their specific quality and safety certification needs, mainly for export. Through the collaboration, these needs will be recommended to EBRD, which will identify consulting assistance and co-finance with the company 50% of the cost of obtaining a certification. EMPOWER committed \$78K from its SAF as backup finance for the collaboration.

During Y3, EMPOWER will substantially increase its focus on supporting the improved competitiveness of its beneficiaries through STTA in quality and productivity, to help them further expand sales and employment.

In the **business environment** work area, EMPOWER worked during Y2 to strengthen the Association of Wood Processors of Kosovo (AWPK), as well as the new business association catalyzed by the Project at the end of Y1, the Kosovo Apparel Marketing Association (KAMA). In addition, at the aforementioned Green Festival, EMPOWER organized "Green Forum" over three days, to bring together private companies, ministry representatives, and civil society to discuss priority issues in the policy, legal, and regulatory environment for the business of clean energy and energy efficiency. EMPOWER continued to facilitate meetings of clusters it has organized in the wood, apparel, energy, and tourism sectors, which also elevated needed doing business environment reforms to relevant GoK agencies.

EMPOWER also conducted and published six focused **analytical reports** during Y2, one summarizing a survey of companies' product certification needs, two for the apparel sector covering import substitution and marketing and quality issues, and three for the energy sector covering the supply of recyclable materials and the technical qualities of Kosovo-produced biomass fuel pellets.

## 1.2 Summary for Quarter 9

EMPOWER initiated **10 new activities** (interventions) during Q9, committing **\$218K** in program funding, and attracting **\$887K in co-finance** from beneficiaries, other donors, GoK agencies, and banks. Four of these were in the wood sector, one each in apparel, energy, tourism, and ICT, and two in "other sectors."

The following table shows the 10 interventions approved during Q9 by support area. **20** companies were new EMPOWER beneficiaries as a result of these activities, of which 7 were Primary Beneficiaries and 13 Supplier Beneficiaries.

Table 7: New Activities by Support Area – Q9			
Support Area	# Activities	Investment \$000	
		EMPOWER	Co-Finance
Production	3	\$122	\$818
Markets	4	25	21
WfD/Skills	1	43	25
Quality	1	3	19
Bus. Env't	1	25	4
<b>TOTAL</b>	<b>10</b>	<b>\$218</b>	<b>\$887</b>

During Q9, beneficiaries added **225** actual new jobs and generated **\$8.4MM** in additional sales attributable to Project support. **108** individuals were added to EMPOWER-supported training, of whom 56 were in internship programs during the quarter.

## 2. ACTIVITIES AND TASKS VS. WORKPLAN

The main body of this report, which follows, is organized according to EMPOWER's Year 2 Workplan. The narrative sections below survey activities and results in major task areas. Following this, in Annex 1, is a tabular listing of the detailed Year 2 Workplan, with detailed actual versus expected results to date for every line item.

Annex 2 provides a table describing the status of each EMPOWER intervention since the project began, rating each "green" (proceeding as expected), "yellow" (watch list), "red" (significant concerns), or "grey" (cancelled) according to performance vs. expectations. Of 132 activities described there, 117 are rated "green", 14 are rated "yellow", and only one is rated "red". Most of the "yellows" are due mainly to delays in achievement of grant-related milestones, not because of concerns about the business and job creation prospects of beneficiary companies.

Annex 3 provides a list of all SAF-funded grants and procurements as of the end of Year 2.

### 2.1 Component 1: Competitive SMEs

EMPOWER's work in Project Component 1 involves direct support to businesses with market opportunities for firm-level growth. This means helping them in four major categories: (i) expanding production capacities, (ii) connecting to markets (export and import substitution), (iii) improving productivity and quality, and (iv) obtaining skilled workers (workforce development). EMPOWER Component 1 covers the first three of these, and Component 2 (below) the fourth. Companies targeted for this support are mainly in the wood, apparel, energy, tourism, and metal sectors.

EMPOWER has become one of the most knowledgeable institutions in the Kosovo as to the status and potential of the domestic economy, as a result of its direct site visits to almost 400 companies, and actual interventions with 260 of them. The Project has information on every significant productive sector, and is heavily involved in several of them, to the point that when a new investment opportunity arises, it is often possible to evaluate it vis-à-vis other similar firms and connect it to other companies in its value chain for business.

In Project Year 2, EMPOWER continued to help companies facing excess demand in their markets expand their production capacities, and substantially widened its assistance in market connections, through trade show attendance and development of producer sales agencies in buyer markets. EMPOWER began in Y2 to provide support to its investee companies in productivity improvement and obtaining quality/safety standards and certifications.

The following table overviews Component 1 activities and results initiated in Y2 and Q9.

Table 8: Component 1 Summary – Y2 and Q9												
Support Area	# Activities		# New Beneficiaries		EMPWR Inv \$000		Co-Finance \$000		# New Jobs		Sales Increase \$000	
	Q9	Y2	Q9	Y2	Q9	Y2	Q9	Y2	Q9	Y2	Q9	Y2
Production	3	32	16	86	122	1,147	818	4,647	131	493	5,772	7,822
Markets	4	34	4	54	25	477	21	642	35	87	1,459	2,948
Quality	1	2			3	78	19	482				
Bus. Env't	1	2			25	62	5	62				
TOTAL	9	70	20	140	\$175	\$1,764	\$863	\$5,832	166	580	\$7,231	\$10,770

During the year, EMPOWER initiated 70 new interventions (9 in Q9), engaged 140 new company beneficiaries, of which 88 direct beneficiaries, (20 in Q9, of which 7 direct beneficiaries), and helped create 580 new jobs (166 in Q9) and expand beneficiary sales by \$10.8MM. Most of the sales increase, \$7.2MM, occurred in Q9, reflecting the rising impact of earlier investments, which would be expected to require first increased employment to expand production, followed by increased sales.

For the Y2 activities, EMPOWER committed \$1.8MM from its assistance budget (\$175K in Q9), and mobilized \$5.8MM in co-financing from beneficiaries, banks, GoK agencies, and other donors, for a leverage ratio of 4.2x.

For Y2, new interventions were about evenly split between production expansion and market connections. EMPOWER also initiated assistance in the two other competitiveness categories, quality/productivity and business environment, but it was too soon for these to have independent impact on jobs and sales.

### 2.1.1 Wood Sector

#### a. Year 2 Progress

Kosovo's wood processing sector is one of the country's most promising for economic growth, and was selected as "export-ready" at the outset of the Project for focused support under Component 1. Over the past decade the sector, thanks in part to prior support by USAID Kosovo, has developed a good range of solid wood and MDF-based products, and generally has elevated their quality to the point that they can compete internationally in mid-level chairs, tables, and kitchens. The sector's other competitive advantages include relatively low wages and proximity to European buyers.

There are also significant import-substitution opportunities, as well as in organic domestic market expansion, in ordinary and upholstered furniture. Further market potential, both

export and domestic, exists in interior elements – especially stairs, doors, and hotel-restaurant-café (HORECA) fixtures.

The following table summarizes EMPOWER's assistance to the Kosovo wood sector from Project outset through Y2.

Table 9: Wood Sector Activities & Impact							
Period	#Activities	# Firms	EMP\$ <sup>+</sup>	Co-Fin\$	New Jobs	New Sales	Trainees
Cuml	35	42 (78*)	\$1,103	\$5,987	369	\$6,765	40
Y2	22	22 (33*)	\$593	\$2,677	292	\$6,607	40
Q9	4	2 (9*)	\$157	\$805	79	\$5,460	

\* Includes Supplier Beneficiaries. + Currency amounts are \$000.

Of the 35 activities approved since Project outset, **22** were in Y2, an EMPOWER investment of **\$593K**, benefitting **33** firms. In Y2, all activities helped create **292** new jobs in the sector, and contributed to **\$6.6MM** in sales growth. These activities attracted **\$6.0MM** in co-finance, for a leverage ratio of 6.4x. **40** individuals have participated in workforce development programs in the sector, all in internships. More than half of the new jobs were for youth (18-24 years of age).

The priority competitiveness issue that EMPOWER encountered in the wood sector through Y2 was the need for *expansion of the means of production* to enable the market opportunities outlined above to be realized. While they have begun to experience success in export markets, Kosovo wood processors need to expand in order to move to the next level, because major buyers need order quantities that are larger than most of them are currently able to supply. This requires the installation of modern CNC equipment in order to expand supply potential. This in turn requires growth finance, which is generally not available in adequate amounts to SMEs in Kosovo.

To address this competitiveness obstacle, EMPOWER signed **11** new grants to support wood processors' **production expansion** in Y2, for a total of **\$807K**, and leveraging co-investment of **\$5.5MM**. These signed grants created **164 of the total 315** new jobs in Y2, and already



EMPOWER-supported attendees at the MOW Furniture Fair in Bad Salzungen, Germany in Q9.

added \$2,838 of **\$4.7MM** in new sales. **5** of these grants were signed in Q9, for **\$69K**, and included an interior design company in Pristina, a cabinetry manufacturer in Zubin Potok, and a new factory for glued and laminated timber in Drenas. A complete listing of production expansion grants for all sectors is contained in Annex 4.

The second most important growth challenge to wood processors is **connection to markets**. Even though their products and prices are competitive, it is difficult to identify and connect to major buyers in foreign markets.

Therefore, during Y2 and Q9, EMPOWER dedicated significant effort and resources to addressing this issue. Working with the wood processing cluster in partnership with AWPK, the Project identified important international trade shows for the industry, and helped bring



qualified exporters to them (Shehu, Elnor, Binni, Oxa Group), in some cases for the first time ever. EMPOWER elicited and helped guide KIESA's support for these efforts. The events included the SwissBau fair in Basel, Switzerland, in co-operation with SDC/PPSE (first time for Kosovo attendance), the MOW Furniture in Bad Salzuflen, Germany

Smaller wood processing SMEs were supported to attend regional fairs, where buyers (sometimes even individuals) are looking for smaller quantities, and shipment to them is easier. These included the International Furniture Fair Tirana, and the Skopje Furniture Fair. Actual and provisional contracts from these fairs exceeded \$500K, and led some producers (Lesna, Daqa) to open permanent showrooms in these regional capitals.

It is critical, in general, for companies wishing to export to attend referential trade shows every year. Such attendance demonstrates to buyers and the industry that companies are serious, supported by their countries' economic development policies, about establishing sustainable relationships with buyers.

The strongest single contribution to connection to markets for the wood processing sector was the establishment of a producer sales agency (PSA) to represent them in Germany. This kind of market connection for exporters has been a fundamental element of EMPOWER's economic growth strategy. In many sectors, certainly including wood and apparel, the great majority of business is initiated not through a producer directly calling on a buyer – which is inefficient and expensive, even if the producer manages to find a buyer contact at all – but through professional sales representatives living and working in target markets, who know all significant buyers, often personally. Trade fairs provide one of the best venues to find such agents, and Project staff and AWPk were instructed to seek them out at any and all trade shows attended.

Thanks to EMPOWER's initiative to support the attendance of furniture exporters at the aforementioned MOW fair late in Y1, a professional sales agency (headed by a diaspora Kosovar) was identified, brought to Kosovo to visit furniture processors, and engaged to promote their exports. This led to an effort that well exceeded initial expectations. The PSA not only agreed to represent Kosovo furniture in Germany, but it created new branding for it (Schwarzwald Massivholz), created online sales channels, established a permanent showroom and warehouse near Salzburg, and opened a logistics operation in Peja for packaging and shipping. The opening of the showroom in June was a high-profile event, attended by the MTI Minister. By the end of Y2, the PSA had already facilitated **\$187K** in new sales by 6 currently participating companies, with over \$1MM in contracts expected in the first full year of operation.

While production expansion and connection to markets occupied most of the effort in wood processing in Y2, activities directed at **quality and productivity** improvement were begun



MTI Minister Hikmete Bajrami inaugurated the opening of the first Kosovo furniture showroom abroad, in Stuttgart, Germany, attended by the Union of Kosovo Businesses in Germany, the Kosovo Consulate in Stuttgart, the Municipality of Altenstiegl, AWPk, KIESA, and USAID.

during the year. For wood processors, the main emerging need is various certifications of product quality and/or safety, and for environmental sustainability (for example, sustainable forest management chain of custody), that are increasingly mandatory and/or sought by customers. The above-mentioned Quality Certification Collaboration (QCC) with EBRD launched in Q9 will help address these needs going forward. In general, improving the product quality and factory productivity of its beneficiaries will become an elevated focus area to increased SME competitiveness for EMPOWER in Y3.

In **business environment**, EMPOWER continued its work to strengthen the capacities of AWPK as a support and advocacy institution for the private wood sector. Employing international STTA, it advised the association in producing a formal annual budgeted workplan in support of the business growth of its membership, which EMPOWER subsequently supported through its SAF.

### 2.1.2 Apparel Sector

EMPOWER selected apparel as a focus sector because it has such great potential to generate thousands of jobs, especially in contract manufacturing for major Western design labels. This work has generated as many as 100,000 jobs in Albania and 50,000 in Macedonia, while in Kosovo it is limited to only a couple of companies (KosovaTex being the largest), so that the entire sector employs less than 5,000 people. The industry survives mainly by producing inexpensive, low- to medium-quality basics – jeans, t-shirts, underwear, and sportswear – to the domestic market. But even here it is challenged by even cheaper imports from China and Turkey. While there is significant potential for import substitution – an EMPOWER analysis published in Q6 suggests that no more than 10% of a \$200MM+ domestic market is being covered by local production<sup>4</sup> – the greatest growth must come from export contracting.

It is an extended process, however, to penetrate the contract apparel manufacturing market (known as “cut-make-trim”, or CMT). Most Kosovo producers are too small to service orders from major labels, so need to expand their production capacities, but this requires finance and the sector is generally regarded as risky by commercial banks. Most of them also are not yet producing at the quality level that foreign buyers require and that competitors can provide. They also do not know buyers, and do not have sales representative contacts with them. EMPOWER sought to address all of these issues in Y2 and Q9. The following table summarizes apparel sector activities and impact to date.

Table 10: Apparel Sector Activities & Impact							
Period	#Activities	# Firms	EMP\$ <sup>+</sup>	Co-Fin\$	New Jobs	New Sales	Trainees
Cuml	22	21 (34*)	\$437	\$1,081	192	\$1,515	98
Y2	10	7 (9*)	\$183	\$265	75	\$1,395	
Q9	1	1	\$2	\$6	12	\$375	

\* Includes Supplier Beneficiaries. + Currency amounts are \$000.

The **10** interventions approved in Y2 benefitted 7 companies directly (**9** including their production suppliers), required **\$183K** in EMPOWER support. In Y2, all activities generated 75

<sup>4</sup> Kosovo Apparel Import Substitution Potential, USAID Empower Private Sector, August 2016.



jobs so far and **\$1.4MM** in new sales. 80% of the new jobs were for women. **1** activity was approved in Q9, with Project investment of **\$2K**.

EMPOWER provided **3** new grants for **production expansion** to apparel companies during Y2, for **\$135K**, one of which was in Q9 (\$53K), bringing the total to **9** grants and **\$344K** for this assistance category for the Project to date. Not only more equipment is needed to increase output quantities, but updated equipment is necessary, to improve productivity and especially stitching quality. The Y2 grants enabled two beneficiaries (Artatex and Agron Commerce) to expand production of underwear for the domestic market, after EMPOWER market research indicated import-substitution potential there of over \$30MM.

Given the quality issues for more sophisticated products, EMPOWER's strategy in **connection to markets** in apparel was to focus first on workwear – subsector for which Kosovo producers have experience and which can be somewhat less demanding in terms of quality. During Y2, the Project supported exhibitions at two shows dedicated to this subsector: the A+A Workwear Fair in Düsseldorf, Germany; and the bi-annual International Fair for Occupational Safety, Health Protection, & Health Promotion in the Workplace in Bern, Switzerland. As a result of the A+A Fair, a large Dutch workwear company, VPtex, visited Kosovo apparel factories with EMPOWER's facilitation, and placed a test order for 500 pieces with one beneficiary (Intertext). If successful, this can become a reference point for the Kosovo workwear subsector to attract other CMT business. KIESA collaborated with EMPOWER and the private companies in supporting the costs of attending these fairs, and the UNDP/DEED project supported attendance at the Bern fair.

Also, in Q9, the Project supported attendance by 3 producers (Intertext, InversOne, and Menakon) at the Paris Premier Vision Fair, which focuses on raw materials for the industry – fabrics, yarn, leather. Among other things, the visit encouraged joint purchasing of materials, so as to increase order sizes and lower costs.

EMPOWER is also seeking through trade show attendance the identification of PSAs in apparel for foreign markets, which is essential. One promising candidate was identified for Switzerland (Rexhep Berisha Agency – also diaspora Kosovar). EMPOWER organized visits by the agency during Q9 to five apparel producers with capacities to export, both in workwear and sportswear (STAFF/S-Sprint). Through the potential PSA, \$15K in test orders were already initiated. EMPOWER expects to facilitate a formal business agreement between the PSA and at least 5 Kosovo producers, and the PSA plans to open a showroom for Kosovo-produced apparel in Switzerland in 2017.

EMPOWER's support to the apparel industry also includes shoes. Two Kosovo producers (Muli, Bobi) visited the Global Destination of Shoes and Accessories (GDS) fair in Düsseldorf, Germany, during Y2. This fair was the first joint foreign marketing effort by Kosovo footwear producers. Two large foreign brands (Josef Siebel and Cosmos Cordes) expressed interest in visiting Kosovo factories and initiating business.

Finally, EMPOWER further explored the potential of regional apparel trade shows during Y2, including a visit to the Tirana Textile Fair, but concluded that these have limited impact. Albania in particular remains an attractive market for Kosovo apparel producers, particularly for CMT/facon sub-subcontracting, but direct marketing seems to be better approach than exhibiting at regional fairs, and this is something that will have more focus going forward.

In **quality and productivity**, during Y2 EMPOWER facilitated visits by international technical experts to apparel factories to assess their quality improvement needs, and published a report pointing to some of them in the uniforms and sportswear subsectors.<sup>5</sup> These evaluations, which identified quality shortcomings ranging from moderate to serious, set the stage for substantially elevated attention to this issue in EMPOWER's Y3, which is critical to expanding international contracting business.

EMPOWER's work to improve the **business environment** for apparel producers included close collaboration with KIESA to help prepare its development assistance strategy in support of the sector, and to strengthen the Kosovo Apparel Marketing Association (KAMA), whose establishment EMPOWER catalyzed at the end of Y1. KAMA has had issues in recruiting an effective Executive Director – in Q9 it engaged its third in only one year – but its board of directors has been committed, cluster meetings have been held with some regularity, and membership is growing, having reached 22 companies by the end of Y2. EMPOWER also helped establish a branding identity and online portal for the Kosovo apparel industry, to be managed by KAMA.

### 2.1.3 Energy Sector

EMPOWER selected the energy sector for focus because it has growth potential that is entirely domestically-generated. The movement toward clean energy source, recycling, and energy efficiency has already begun in Kosovo and will only continue to gather momentum in the years ahead, creating a wide range of business opportunities that if realized can be a strong engine for job creation. EMPOWER's company beneficiaries in the sector are (i) producers of renewable energy resources – so far, biomass and solar, (ii) producers of construction materials and elements that promote energy efficiency, and (iii) recyclers.

EMPOWER's focus on the energy sector is primarily because it has substantial job creation potential, but also because it contributes to USAID objectives for clean energy and environmental sustainability in general. For example, according to an analysis produced by EMPOWER that helped justify the greenfield investment by the decorative tile company mentioned above, the factory will recycle virtually the entire volume of flat glass waste generated in Kosovo. Previously, the majority of this waste stream went into the landfill. Another example, Ekofarm, will begin producing biomass heating fuel pellets from chicken manure instead of wood, using what was previously an entirely waste material, and preserving forests (even though renewable) for other uses.

The following table summarizes activities and impact for the energy sector through Y2.

Table 11: Energy Sector Activities & Impact							
Period	#Activities	# Firms	EMP\$ <sup>+</sup>	Co-Fin\$	New Jobs	New Sales	Trainees
Cuml	20	33 (115*)	\$483	\$999	162	\$1,586	74
Y2	14	28 (46*)	\$343	\$805	153	\$1,396	74
Q9	1	1 (7*)	\$34	\$43	32	\$938	9

\* Includes Supplier Beneficiaries. + Currency amounts are \$000.

<sup>5</sup> Ahmet Halilagić, *Kosovo Uniforms and Sportswear Assessment*, USAID Empower Private Sector, March 2016

During Y2, **14** interventions benefitted **28** companies directly, along with their numerous suppliers, creating **99** new jobs and helping expand sales by **\$538K**. EMPOWER invested **\$343K** in these activities, and attracted **\$805K** in co-finance. **1** of these interventions, for **\$34K** in EMPOWER resources, was initiated in Q9. In Y2, all energy activities, created 153 new jobs and generated sales of \$1,396.



Co-owner and production manager Sadbere Osaj of Osa Termosistem, where EMPOWER supported the acquisition of equipment to produce refrigeration appliances to European energy efficiency standards.

As in other sectors, the majority of EMPOWER's investment in the energy sector in Y2 – **\$262K** – went to **production expansion**, the most immediate need of producers for sales expansion and job creation. The Project awarded 9 grants during the year, two of which went to producers of biomass heating pellets, four to suppliers of energy efficiency products or services, and three to recyclers or producers of products made from recycled materials. Other than one of the recycling cluster producers (Orient Mozaik, which makes decorative wall tiles from recycled glass), these companies

target mainly or exclusively the domestic market. Osa Termosistem, a maker of heating and refrigeration appliances, acquired new equipment to substantially improve their insulation efficiency, a precondition for gaining certification for exporting to Western Europe.

In **connection to markets**, the major accomplishment for the year was the organization of the **First Kosovo Green Festival** in May. This was entirely an EMPOWER initiative, meant to bring together key private and public sector stakeholders in clean energy. The Festival, subtitled "The Business of Energy", featured a "Green Pavilion" in which 19 producers of renewable energy, recycling, and energy efficiency products displayed them to the public. Over the 3 days of the Festival, each company stand averaged over 230 visitors, and gained new business, such as Europa, a wood pellet producer from NK, which reported 40 contracts with buyers



Green pavilion 25-27 May 2016, where 19 Energy sector companies exhibited their product and services to other businesses and the public.



concluded at the fair, for €129K in sales. The Festival also served a business environment purpose, via a "Green Forum", a seminar series organized over the three days of the Festival, again covering clean energy, recycling, and energy efficiency. It featured speakers from all GoK ministries and agencies involved in these issues, private energy business leaders, and

representatives of civil society, and there were over 130 attendees. The Festival included parallel public activities on Mother Teresa Square to highlight clean energy and recycling.

A major media event, the Green Festival was opened by U.S. Ambassador Delawie, Minister of Environment and Spatial Planning Ferid Agani, Minister of Economic Development Blerand Stavileci, Czech Ambassador Ivo Šilhavý, and ProCredit CEO Ilir Aliu. The Green Festival was considered highly successful, and EMPOWER will seek to make it a sustainable annual event, possibly with a higher regional profile.

EMPOWER worked closely in Y2 with Jaha Solar, a greenfield factory inaugurated in June, the only producer of solar photovoltaic panels in the Western Balkans. The company participated actively in the Green Festival, introducing its products to the public. EMPOWER is planning with the company a pilot project to promote the use of solar heating and energy systems at the individual household and business level.

In **quality and productivity**, EMPOWER organized a study tour of Kosovo pellet producers, a testing laboratory, and an MAFRD official to Vienna to observe large and small certified and efficient pellet plants in Austria, and to attend training on pellet production procedures, physical and chemical properties and quality parameters, and standards certification and auditing.

A report on Kosovo biomass fuel published by EMPOWER in Y1 found that because Kosovo-produced pellets had not gone through any kind of objective testing or certification, consumers could not be guaranteed their quality, creating a disadvantage relative to imported pellets.<sup>6</sup>

Consequently, during Y2 EMPOWER commissioned a lab analysis per the relevant standard (EN 14961-1), with 10 Kosovo pellet producers and 2 importers participating. The analysis indicated that most Kosovo-produced pellets were equal to or better than imported pellets in key heat-producing characteristics.



In November 2015 EMPOWER brought together representatives of the renewable energy sector – solar, geothermal, and wind – to discuss growth prospects and business environment issues.

services company ([www.victronenergy.com](http://www.victronenergy.com)). The training brought together 10 companies



The accredited BEA Institute Testing Laboratory in Vienna, Austria, visited during EMPOWER-supported study tour In July 2016.

At least one producer began using the positive results in its package labelling.

In Q9, a second round of pellet product analysis was conducted and reported. The positive assessment of the quality of locally-produced biomass pellets observed in the initial report was generally confirmed. A third and final round will be conducted during the coming heating season.

Also in quality and productivity, EMPOWER in close collaboration with Jaha Energy facilitated a training on solar panel installation techniques and best practices, delivered by Victron, a German energy hardware and services company ([www.victronenergy.com](http://www.victronenergy.com)). The training brought together 10 companies

<sup>6</sup> Jacob Modeér, *Biomass Pellet Fuel Value Chain Assessment*, USAID Empower Private Sector, August 2015



with 46 representatives of solar panel installers across Kosovo. All participants obtained training certificates.

To help address **business environment** reforms needed to promote development of the clean energy economy, in addition to the organization of the Green Festival's "Green Forums" mentioned above, EMPOWER organized and facilitated meetings of cluster groups representing the solar, biomass, and recycling industries, each consisting of 8-12 companies. The solar cluster, for example, which included representatives of KEDS and relevant ministries, elevated issues including the lack of GoK incentives supporting renewable energy, the low public awareness of its cost-effectiveness, the need for net metering and increased permitting for grid-connected systems, and the lack financing facilities to support the up-front costs to households and SMEs of adopting these technologies.

#### 2.1.4 Other Production Sectors

Aside from its primary focus sectors, EMPOWER has always been open to supporting firms in other production sectors that had unrealized market opportunities and therefore the potential to create significant new employment. This has led to interventions in additional value chains as companies applied for Project support and EMPOWER found their market prospects viable, so far including metal, food processing, health & beauty products, paper products, and automotive parts.

Table 12: Other Production Sectors Activities & Impact							
Period	#Activities	# Firms	EMP\$*	Co-Fin\$	New Jobs	New Sales	Trainees
Cuml	29	36 (61*)	\$807	\$2,680	127	\$1,491	70
Y2	18	30 (50*)	\$563	\$1,789	112	\$1,451	70
Q9	2	1	\$4	\$21	56	\$457	14

\* Includes Supplier Beneficiaries. + Currency amounts are \$000.

In **Y2**, EMPOWER conducted **18** new interventions in other production sectors involving **30** new direct beneficiary firms, requiring **\$563K** in program funds and attracting over three time that much, **\$1.8MM**, in co-funding. The activities approved in Y2, created 60 new jobs and generated sales of \$631.8. Two of the interventions took place in **Q9**. In Y2, all approved activities produced **112** new jobs and **\$1.5MM** in new sales during Y2. **70** trainees were active in WfD programs in these sectors during Y2.

The majority of EMPOWER's support for these other sectors, \$430K, was **for production expansion** grants. In the **metal** sector, three new expansion grants were concluded – a refrigerated appliances producer in Prizren, a metal gutters crafter in Leposavić, and a decorative wrought iron processor in Fushe Kosova – who collectively added **20** new jobs and **\$331K** in new sales, growing faster than initially expected in the year following the grants. Generally, however, even though metal companies have good market opportunities, it is challenging for EMPOWER to support them, because the needed equipment is quite expensive and production is capital-intensive, yielding a ratio of SAF funding per new job that is significantly higher than needed for the Project to achieve its total job creation targets.

EMPOWER was also active in the **food processing** sector in Y2, in particular confectionary. Market research produced by the SDC/EYE in November 2015, and further validated by EMPOWER, suggested a significant market opportunity in this sector, both to replace imports and also because of growing domestic demand. The sector also has the advantage of



USAID Assistant Administrator Thomas Melia, USAID Mission Director James Hope, and owner Lirie Ilazi opening Rolleo's new confectionary factory in Ferizaj/Uroševac in March.

employing mainly women. Consequently, EMPOWER provided means of production grants to two such producers, both in Ferizaj and both producing traditional pastries – Embelsia, and Rolleo, enabling it to move out of its original garage space to a new 2,000m<sup>2</sup> factory. EMPOWER also signed a grant agreement with Unipek of North Mitrovica, enabling it to introduce a new product line with demonstrated market potential, frozen pastries.

Elsewhere, beneficiary Ultra Cosmetics held a ribbon-cutting event in February 2016 at its wet wipes production operation in Peja,

launched with an EMPOWER grant. The company expanded its product range and began exporting wet wipes to Belgium, Holland, France, Italy and Poland, helping to create 17 new jobs in Y2. A production expansion grant was signed in **Q9** with Lirimi, a paper bag producer. Beneficiary Pure Power, a producer of automotive air filters, installed a new production line co-financed with a previously-signed EMPOWER grant, facilitating new contracts with a dealer network in the USA.

EMPOWER also helped its beneficiaries in other production sectors **connect to markets**. In collaboration with GIZ Kosovo, a delegation of five metal processors visited the Wire and Tube Fairs in Düsseldorf, Germany, two of Europe's largest bi-annual metal construction industry trade shows. One initial sales contract was concluded there, and of the 100+ companies visited at the fair, 25 produced concrete business opportunities that are being pursued.

EMPOWER supported Bibita/Ultra Cosmetics' visit to the International Foods EPPS Fair in Tampa, Florida, USA, in July, where it presented its new "fitness water" product – packaged in a unique dumbbell-shaped PVC bottle of the company's own design – gaining sample orders expected to lead to North American exports. Finally, EMPOWER supported the exhibition by Koshi of Prizren, a crafter of aesthetic carbon fiber body parts for exclusive automobiles – Alfa Romeo, Abarth, Lamborghini – at a new, specialized automotive trade fair in Italy, which produced numerous contacts and a pilot contract with Alfa Romeo.



Ultra-Cosmetics ribbon cutting ceremony, February 2016, in Peja, with USAID Mission Director James Hope and General Director Labinot Gruda.

### 2.1.5 Tourism Sector

EMPOWER supports tourism because it has a broad, positive economic impact as tourist arrivals grow over time, and also because it contributes to a positive overall image of Kosovo in global markets, indirectly supporting the business of other sectors. However, because

focused support for Kosovo tourism development is just beginning, it takes several years to build up arrivals. This has been seen in Bosnia & Herzegovina, comparable as a post-conflict country, which began to benefit from USAID and other donor assistance in 2004, and now has a vibrant tourist economy.

Also, because the impact is so dispersed among the many providers of services to tourists, the true job creation impact cannot be captured simply by surveying the tour operators that are the Project's direct beneficiaries. For this reason, EMPOWER uses a model based on the number of tourist overnights handled by all outdoor/adventure tour operators that can be surveyed, since EMPOWER's support for shared product development and marketing of Kosovo benefits all of them. Along with reasonable estimates of average tourist spending per day, we can calculate aggregate overall sales impact, which can then be used to infer new job creation, using a standard assumption of annual sales per employee. Nevertheless, the job creation impact of EMPOWER's support to the tourism sector will never match, within the term of the Project, that of the production sectors it supports.

EMPOWER has focused from the beginning on a subcategory, namely outdoor/adventure tourism. This is to take advantage of the work that has been done in the Western Balkans region over the past decade to develop this sector, including the creation of marketing platforms for the multi-country Via Dinarica trail, and Western Balkans Geo-tourism with National Geographic magazine. EMPOWER has formed a close working relationship with the private, U.S.-based Adventure Travel Trade Association (ATTA), the principal global organization supporting this tourism subsector.

EMPOWER's work to improve SME competitiveness in tourism has been primarily in connection to markets and tourism product / service development and quality, including training programs which are discussed further under Component 2 / WfD below. The following table provides an overview:

<i>Table 13: Tourism Sector Activities &amp; Impact</i>						
Period	#Activities	# Firms	EMP\$ <sup>+</sup>	Co-Fin\$	New Sales	Trainees
Cuml	15	43	\$213	\$229	\$374	70
Y2	8	8	\$101	\$137	\$266	35
Q9	1	1	\$3	\$2		

+ Currency amounts are \$000.

In **Y2**, EMPOWER invested **\$101K** in tourism sector activities, producing an estimated **\$238K** in new sales for tourism service providers (all tourism activities generated sales of \$266 in Y2) and involving **35** trainees. Job impact so far, as expected, has been limited; it will build over time.

In **product development and quality**, during **Y2** EMPOWER worked closely with German Development Cooperation / GIZ in the development of new trails in southern Kosovo to expand the Via Dinarica / Peaks of the Balkans network. With GIZ funding and EMPOWER facilitation, another 50 kilometers of new trails were marked in the Sharri region, extending the network of marked trails to 130km.

EMPOWER conducted an internal assessment of the Kosovo segment of the multi-country Via Dinarica Trail, which is being developed with EMPOWER's support, to guide planning of further ground infrastructure, signalization, mapping, and support services.

In **Q9**, in collaboration with ATTA, EMPOWER provided technical advice to tour operators for the development of some twenty itineraries or new products, that then went through a rigorous quality check to be delivered to world class tour operators and media. The Project also helped five operators (Catun, Butterfly Adventures, Balkan Natural Adventures, Outdoor In, and Air Tour, two of which are woman-owned) improve the quality of their web and printed marketing materials.

In **connection to markets**, EMPOWER's support to the tourism sector included trade shows, B2B events, and familiarization (FAM) trips. The most prominent event during **Y2** was the AdventureNEXT Balkans summit organized by ATTA, which took place in Ohrid, Macedonia, in May 2016. EMPOWER catalyzed Kosovo's principal sponsorship of this event, bringing it to the attention of KIESA, and supported the attendance of five tour operators, who participated in the B2B marketplace that was part of the event.

The Project also organized with ATTA four FAM trips before and after for international adventure tour buyers and journalists, one of which was also in collaboration with SDC/PPSE, which concluded with a B2B event where 20 local operators met their international counterparts to develop business. Following AdventureNEXT, a number of



Adventure Tourism Operators participated in FAM Trip for five days across Kosovo before the official start of the AdventureNEXT Summit in Ohrid, Macedonia

articles on Kosovo outdoor adventure tourism appeared in international media (National Geographic, Lonely Planet, the New York Times, Paste Magazine, and others).

EMPOWER also supported Kosovo tourism's presence at three other major trade fairs in Y2: Destination Natur Paris (March 2016), dedicated only to adventure tourism; ITB Berlin, the largest B2B+B2C general tourism fair in Europe (March 2016), which has a hall dedicated to outdoor tourism, where Kosovo representatives participated at a Western Balkans desk partly supported by USAID/REG; and WTM (World Travel Market, November 2015) London, the world's largest annual strictly B2B tourism fair, which has a general focus. EMPOWER collaborated variously with KIESA, SDC/PPSE, and the French Embassy in these activities, which generated sales of over €200K by Kosovo tour operators. At the Paris show, the first French-language tour guidebook for Kosovo, published by Le Petit Futé with support from EMPOWER in collaboration with the French Embassy Kosovo, was launched.





EMPOWER COP David King addressing attendees of AdventureNEXT Summit in Ohrid, May 2016

During **Q9** EMPOWER supported the participation of three Kosovo tour operators at the ATTA-organized Adventure Travel World Summit for the second consecutive year, this time in Anchorage, Alaska. 850 delegates attended. The Kosovo participants held more than 30 individual B2B meetings. Also during the Q9, EMPOWER organized another FAM trip for a journalist and photographer to prepare an article on Kosovo tourism for Lufthansa Airlines magazine.

Overall, EMPOWER has succeeded in significantly elevating the profile of Kosovo from essentially zero to a clear foothold on the global adventure tourism market. It is important that this presence be maintained and built upon.

In collaboration with the French Embassy in Pristina and the Kosovo Alpine Mountaineering Federation (KMGA), EMPOWER was instrumental in the establishment of the Kosovo Mountain Guide Association during Y2. The organization will promote business and advocate for an improved **business environment** for the outdoor adventure industry. Working closely with USAID/P4D and the MTI Tourism Department, EMPOWER provided input for the ongoing and still unfinished process of amending the tourism law, with a particular focus the recognition of the adventure guide category and the necessity for the creation of safety standards. EMPOWER also supported KIESA resulted in developing its tourism promotion plan for 2017.

## 2.2 Component 2: Workforce Development

As is the case for interventions to build SME competitiveness, most of EMPOWER's investments in Workforce Development (WfD) are based on the potential for creating actual permanent jobs during or shortly following the skills-related activity. As a result, EMPOWER focuses mainly on in-company (on-the-job and internships), and courses in education / training institutions for skills that the labor market actually needs. The following table summarizes WfD interventions.

Table 14: Component 2 – Workforce Development Summary												
Type	Activities			Trainees			Jobs			EMPOWER \$		
	Q9	Y2	Cuml	Q9	Y2	Cuml	Q9	Y2	Cuml	Q9	Y2	Cuml
Institutional		5	11	66	237	357	4	75	83	22	159	
In-Company	1	1	8	42	138	461	55	152	408	43	43	208
Systemic		2	2									
<b>TOTAL</b>	<b>1</b>	<b>8</b>	<b>21</b>	<b>108</b>	<b>375</b>	<b>818</b>	<b>59</b>	<b>227</b>	<b>491</b>	<b>\$43</b>	<b>\$65</b>	<b>\$367</b>

EMPOWER approved **8** new WfD activities in **Y2**, involving 114. trainees, of whom **227**, or **60%**, obtained full-time jobs after the training. These Y2 activities required a Project investment of **\$65K**, with **\$56KK** of co-investment. Of the trainees, **21** entered internship programs in Y2.

In Y2, all WfD activities involved 375 trainees, 226 of whom entered internship programs in Y2, and 227 of the trainees, or 60%, obtained full-time jobs after the training. Just under **500** individuals have now entered EMPOWER-supported internships since the Project began. Of the Y2 WfD interventions, **1 was approved in Q9**, requiring **\$43K** in Project resources.

As can be inferred from the table, WfD activities are highly efficient in terms of EMPOWER investment per job created – **\$747** for the Project to date, significantly below our \$1000 per job target. The **491** actual jobs created as a result of WfD activities to date account for **39%** of all jobs created, but only **11%** of EMPOWER resources invested so far. Of course, the impact of skills training tends to be more immediate than that of firm-level competitiveness interventions, which plays out over 3-5 years.

In addition to direct skills development assistance to firms and individuals, EMPOWER supports the **systemic** improvement of the VET system particularly through its initiative to establish Vocational Education and Training Local Councils – VETLCs – to institutionalize public-private dialogue between business, education and training providers, and local and national education officials. The two systemic activities initiated in Y2 were to establish VETLCs, first in Prizren early in the year, and toward the end of Y2 in Mitrovica.

Of the Project's WfD interventions to date, the most, in number (7 of 21) and value (\$154K of \$367K) have been in the ICT sector, but almost all sectors have benefitted in some degree from EMPOWER's support for skills training. In fact, in **Q9**, the Project's WfD investment (\$43K) was in a wood sector internship program (discussed below). For the entire Project through Y2, WfD activities have directly benefitted **48** individual companies.

### 2.2.1 ICT Sector

EMPOWER covers ICT under Component 2 because most of its work in the sector concerns WfD, and indeed, as just noted, almost half of EMPOWER's investment in WfD in general has been in ICT skills training, both in-company and through educational institutions. A study by the Kosovo Information and Communication Technology Association (STIKK) that was updated in 2014 indicated a continued lack of skilled ICT professionals in the market, despite ongoing uptake. ICT includes not only companies providing software development and maintenance services, but customer service call center services outsourced by major European companies, especially German-speaking.

EMPOWER also contributed to a limited degree to help ICT companies connect to markets in Europe.

Table 15: ICT Sector Activities & Impact							
Period	#Activities	# Firms	EMP\$ <sup>+</sup>	Co-Fin\$	New Jobs	New Sales	Trainees
Cuml	11	8 (9*)	\$193	\$721	411	\$3,849	526
Y2	5	5 (6*)	\$45	\$193	164	\$3,400	155
Q9	1	1	\$18	\$11	47	\$1,121	85

\* Includes Supplier Beneficiaries. + Currency amounts are \$000.

During **Y2**, EMPOWER initiated **5** new activities in ICT sector competitiveness, costing **\$45K** and producing **20** new jobs and **\$18K** in new sales. However, all ICT activities created 164 new jobs and generated \$3.4MM in new sales during Y2 – quite strong impact relative to Project investment, mainly reflecting successful skills programs. 155 trainees participated in ICT WfD

programs in Y2 with the Project's support, and 144 of them were part of activities approved in Y2.

EMPOWER's support was instrumental in enabling two **educational institutions** to develop and implement new training courses for ICT skills that should be sustainable going forward. These were the STIKK Training Academy, launched early in Y2 at a ceremony officiated by US Ambassador Delawie and key GoK ministers. Major collaborators were the Norwegian Embassy and GIZ. By **Q9**, the institution had recruited its initial group of 45 students, all youth, for a six-month curriculum covering software development and mobile applications programming. The course includes an internship program. ICT companies were surveyed in advance of the course to obtain their interest in hosting interns and their commitments to employment after training.

EMPOWER also supported the launch of the Cactus Training Institute's new course in ICT testing, enabling 15 individuals to attend. Most were hired upon completion. Finally in institutional WfD in ICT, EMPOWER supported a training program with Open Data Kosovo, to develop an innovative mobile application that helps report situations of threatened sexual harassment. 30 young women participated in the training, 17 of whom were hired by various ICT companies following it.

EMPOWER collaborated with SDC/EYE in supporting the Females in IT program at AUK that began in Y1. 78 women, mostly youth, participated in two groups of 9-month trainings. 70 graduated early in Y2, of whom 35 so far have obtained full-time employment.

40 youth, men and women, completed **in-company** training in Y2 at AdaptivIT, a business operations applications developer serving clients in Western Europe, and 32 of them were employed immediately by the company. In-company training supported by EMPOWER at MicroBiz, a software developer, was also completed, in Q9. Of the 18 participants in the course, 15 were employed.

In ICT **connection to markets**, EMPOWER support the attendance of Formon, a Kosovo-based producer of desktop 3D printers, at the iMakr Digital Show in London lat in Y2. Formon designs and develops the printer's mechanical system, electronic boards, and software.

### 2.2.2 WfD Activities in Other Sectors

Collaborating with AWPK, EMPOWER supported a first internship program in the wood



USAID Mission Director James Hope delivering certificates of completion for an EMPOWER-supported internship program in the wood sector.

processing sector in Y2, with 40 participants, and perhaps surprisingly given the sector, 13 of whom were women. 30 of the participants were employed full-time by participating companies upon completion of their internships, including 4 of the women. Following the success of this first activity, a second round of wood sector internships was initiated in **Q9**, involving 61 interns and companies from both south and North Kosovo. The Bonevet center in Gjakovo is collaborating by providing a venue for training on CNC equipment for some of the interns.

In the energy/metal sector, an internship Program with pellet stove producer Enrad of Gjilan completed its first year, with 25 participants, of whom 15 were hired. This program will continue for two more years.

To create jobs directly for women while addressing an indirect employment problem for mothers, EMPOWER supported professional childcare training for 51 women in North Mitrovica in Y2, of whom 30 were certified and 17 employed by the end of the year.

In Year 2, EMPOWER also was a lead sponsor of Kosovo's 3rd annual participation in Global Entrepreneurship Week, part of a worldwide celebration of innovators and job-creating startups, organized by Innovation Center Kosovo (ICK). Some 4,000 people participated in 42 events across the country during the week-long event.

### 2.2.3 Systemic Activities in WfD

As noted above, the establishment of local VET councils (**VETLCs**) is a key EMPOWER strategy for improving the workforce development system in Kosovo. These councils are intended to promote regular communication among representatives of the private sector, education and training institutions, and local municipal officials. During **Y2**, EMPOWER facilitated the establishment of the first of these VETLCs in **Prizren**, with a kick-off meeting on February 16, attended by approximately 50 participants who elected a widely representative board of 17 members, and a Chair. Regular meeting of the Board followed, and the Prizren VETLC began to develop a prioritized plan to address skills gaps in its region. The Lux Development-supported Center of Competence school in Prizren is a collaborator.

Subsequent to the initiation of the Prizren VETLC, which was attended by representatives of the Agency for Educational Education and Training and Adult Education (AVETAE) and the VET Department in MEST, EMPOWER received an official request from AVETAE to establish VETLCs in other municipalities, specifically Pristina and Mitrovica. Since it was already EMPOWER's strategy to continue to set up these public-private dialog mechanisms, the Project agreed to proceed next with **Mitrovica**, and in **Q9** a kickoff meeting for this VETLC was held, attended by 29 representatives of business, municipal government, and local technical education institutions.

## 2.3 Cross-Cutting Issues

EMPOWER has affirmative cross-cutting objectives that feed strongly into its selection of competitiveness and WfD interventions. These are (i) advancing the economic engagement of priority populations, which include women, youth, and minorities (including North Kosovo); (ii) supporting microenterprise development; (iii) facilitating collaboration in economic growth assistance with other donors and the GoK; and (iv) promoting environmental sustainability, including assuring protection of the environment in its own activities.

The following table demonstrates that EMPOWER's support for job creation benefitted all priority populations for Y2, Q9, and cumulatively for the Project to date. Almost exactly half of all new jobs created since the beginning of the Project have been for women, over half have been for youth (categories overlap), and almost one-tenth have been for minorities.

Table 16: Job Creation – Priority Populations

Sector	Total			Women			Youth			Minorities & NK			Women in Mgmt
	Q9	Y2	Cuml	Q9	Y2	Cuml	Q9	Y2	Cuml	Q9	Y2	Cuml	Y2
Apparel	12	75	192	1	65	150		26	79		15	16	5
Energy	32	153	162	3	55	55	5	40	49	3	5	14	1
ICT	47	164	411	24	101	268	26	124	315	3	5	10	10
Metal	14	20	20	5	6	6	5	9	9	8	9	9	
Other	42	92	107	21	56	56		3	11	52	79	81	2
Tourism		11	11		*	*		*	*		*	*	*
Wood	79	292	369	35	92	95	40	182	209		4	14	10
<b>Total</b>	<b>225</b>	<b>807</b>	<b>1,272</b>	<b>89</b>	<b>375</b>	<b>630</b>	<b>76</b>	<b>383</b>	<b>672</b>	<b>65</b>	<b>117</b>	<b>144</b>	<b>28</b>

\* Because job creation in tourism is inferred, it is not possible to break it down across categories.

### 2.3.1 Women

EMPOWER buys strongly into the concept that a country's real economic success depends on full integration of women in the workforce, at all sectors and all levels. EMPOWER seeks to help address Kosovo's severe imbalance in this regard by integrating gender considerations in all program activities in line with USAID's Gender Equality and Female Empowerment Policy.

EMPOWER-supported interventions in competitiveness and workforce development added **368** new jobs for women in **Y2**, of which **89** in **Q9**. Since the beginning of the project, 50% of total new jobs created with EMPOWER's assistance have been for women. Most of these have been in the ICT (101 new jobs), wood (92 jobs), and apparel (65 jobs). The number of jobs for females in the wood sector reflects both the fact that it is the sector that created the largest number of jobs overall (292), as well as EMPOWER's efforts to encourage employment of women in wood through its grants. In some wood processors – Elnor, Te Naseri, and Berto – over half of their new jobs went to women.

All sectors have recorded employment of women as a result of Project interventions. The largest **women's shares of new employment** were in apparel (87%) and ICT (62%). In "other" sectors, 60% of new jobs went to women, as for traditional pastries producers mentioned previously.

In its first year, EMPOWER established the Women in Economic Growth Coordination Group (WEG), to help identify and prioritize interventions that would have immediate job-creating impact for women, and the Project continued to facilitate its bi-monthly meetings in **Y2**. In March, EMPOWER reached out to Riinvest Institute regarding their intention to establish a forum for women's economic development with separate USAID support, to take on the already-established WEG for this purpose. The "handover" of the group was finalized in June, helping to ensure sustainability of EMPOWER's initiative.





Women from three cohorts of “Women in Business” at an EMPOWER-supported workshop on personal and professional development.

For the second year, EMPOWER continued to support with technical assistance the Women in Business program funded by the World Bank and SDC PPSE, implemented by RTC Consulting, which brings together young women who are either owners and managers to improve their management skills. EMPOWER seeks to promote **women in management**, and in Y2 its interventions helped move **28** females into senior company positions.

In **Q9**, EMPOWER initiated support to the Action for Mothers and Children, channeled through the foundation’s second-hand store Teshavesha, in

collaboration with Kosovo fashion designers. This initiative benefits marginalized communities, in this case economically disadvantaged and low-skilled women.

### 2.3.2 Youth

Kosovo is known as Europe’s youngest country, and brands itself as “the young Europeans”. This seems promising, but only if these youth resources can be employed. Ironically, however, Kosovo is also distinguished by having possibly the highest youth unemployment rate in Europe. Helping to lower it is a major EMPOWER priority.

One of the major ways that EMPOWER is doing this is by intentionally orienting WfD and internship programs toward youth (18-24 years of age). In **Y2**, **55%** of their participants (207 individuals) were youth, and **148** of them – over **70%** – obtained full-time employment after completion. Grant applications and other interventions that promised greater employment of youth (and other priority populations) were also favored, other things equal. Good example of training and internship interventions where youth benefited from training programs and subsequently obtained full time jobs are **IQ to Link** where from 65 jobs created, **44** of them were youth. Similarly, in the wood sector, from 30 jobs created through AWPK internship program 19 of them were youth.

Job creation in the wood and ICT sectors in particular was highly youth-oriented. **76%** of new jobs in ICT were for youth, and **62%** in wood. For **Y2**, EMPOWER interventions created **383** new jobs for youth – **47%** of all jobs created. **76** of these were employed in **Q9**.

Bests representative examples for these sectors are: for wood sector **Te Naseri** where all **38 new jobs** created were for youth, and out of 31 jobs created from **Palma 28 are youth**. In ICT sector AUK - Females in Information Technology (FIT) program helped 27 young women to get a job in year 2 of EMPOWER, and Open Data Kosovo found jobs for 17 people of which 14 were youth.

### 2.3.3 Minorities and North Kosovo

EMPOWER's seeks out opportunities to assist minority (non-majority) populations in Kosovo. These include North Kosovo in general, religious and ethnic minorities (Serb and non-Serb) in south Kosovo, and persons with disabilities.

Other than in North Kosovo, it is relatively difficult, despite our collaboration with NGOs and GoK agencies that focus on such minorities, to develop interventions that both specifically favor them and have substantial job creation impact. Small activities have helped employ ethnically marginalized women and men. Metal processing company from Prizren - Jasin, employed 4 man from Gorani community. InDesign is another beneficiary from Gracanica municipality that employed 2 people that are from REA community.

EMPOWER has always had an affirmative focus on the economic development of **North Kosovo**, which lags behind the rest of the country. The region has a demand base that can be supplied by local producers, if they can obtain needed equipment and trained workers.

*Table 17: North Kosovo Activities & Impact*

Period	#Activities	# Firms	EMP\$ <sup>+</sup>	Co-Fin\$	New Jobs	New Sales	Trainees
Cuml	16	29 (69*)	\$664	\$1,167	116	\$768	51
Y2	9	23 (37*)	\$442	\$866	94	\$723	51
Q9	1	1 (8*)	\$17	\$71	65	\$477	14

\* Includes Supplier Beneficiaries. + Currency amounts are \$000.

During **Y2**, the Project initiated **9** new activities in North Kosovo, involving **\$442K** in EMPOWER funding, which created 46 new jobs and **\$476K** in new sales. Jobs were created in wood processing, energy, metal fabrication, ICT, food processing, agriculture, and childcare services. In Y2, all activities in North Kosovo, created 94 new jobs and \$723 in new sales. Of these, **65** were created in **Q9**, and **\$477K** in new sales registered for NK beneficiaries. In Q9, **1** new activity was initiated for an investment of **\$17K**.

EMPOWER launched a major new initiative in North Kosovo in **Y2** to stimulate the commercialization of the region's vegetables value chain. The program is focused on connecting a pilot group of NK greenhouse vegetable growers to aggregators and buyers that would purchase their output, to move them from reliance on local greenmarkets into active suppliers to major final retailers, such as the large chains of south Kosovo. Previous projects had supported agricultural yield enhancement, but had not focused intensively on these essential market connections. KCBS, experienced in NK agriculture, identified 12 farmers with competent operations who were capable of producing marketable surpluses, and 4 aggregators to collect and sell products through established channels to large retailers. With a grant of approximately \$100K, the program supported both parties – farmers, to install a total of 5,120m<sup>2</sup> of additional greenhouse space, and aggregators, with selective handling and sorting equipment. By the end of Y2 the program realized **\$119K** of total sales for the participating farmers and created **24** new jobs, proving its viability.

Also in Y2, 5 of EMPOWER's NK beneficiaries transitioned from microenterprises to SME size. Monter-B, a metal processing company that produces rain gutters, increase its total number of employees to 11 from 5 before the EMPOWER support, helping this company to transition

from micro to small enterprise. Similarly, Agro-Centar is a company that grew from 3 to 14 total staff and moved from microenterprise to small size enterprise.

As for **minorities in south Kosovo**, EMPOWER's impact on job creation has occurred generally as a result of promoting the expansion of companies in the sectors it supports that are in localities in south Kosovo that have significant populations of ethnic minorities, including RAE and Bosnians. Mostly through these, rather than specifically targeted activities, Project interventions helped to create **23** jobs for minorities in Y2. Nevertheless, EMPOWER does affirmatively favor activities that have minorities impact, and will continue to do so. Following is the list of companies that created jobs for minorities in south Kosovo. STAFF 9 jobs, Solid 4 jobs, Jasin 4 jobs, In Design 2 jobs, IQ to Link 2 jobs and Izolimi Plast 2 jobs.

### 2.3.4 Microenterprises

EMPOWER is open to supporting SMEs of any size, including microenterprises, if their investment-to-job ratios are satisfactory. EMPOWER's efficient procedures for grant selection and implementation make it possible to accommodate smaller companies.

Microenterprises are defined as having less than 10 employees. To date, EMPOWER had approved **47** activities that benefitted **111** microenterprises, accounting for **30%** of Project funding. **9** of these were for production expansion, and most of those were in North Kosovo. All microenterprise activities created **198** jobs in **Y2**, and **245** for the Project to date.

In Year 2 only, EMPOWER supported 27 activities, where beneficiaries were 50 microenterprises. EMPOWER committed \$620K or 34% of the whole amount committed in Y2 for activities where beneficiaries were microenterprises.

Microenterprises were supported through the main areas of support EMPOWER provides to businesses. Most of the activities were focused in Production Expansion where microenterprises received grants for expansion of their production capacity. From 198 jobs created in Y2 through microenterprise beneficiaries, 74 were in Production Expansion. Furthermore 66 jobs were created from Connection to Markets activities as well as 58 in Workforce Development activities.



At Green Steam, a provider of mobile steam cleaning services that obtained specialized equipment through an EMPOWER production expansion grant that will enable it to transition from micro- to small enterprise size.





Miloš i Marta, a microenterprise confectionery in Leposavić/q, received a grant for equipment that will allow the business run by Dragica and Bojan Antonijević to meet expanding market demand and create as many as 12 new jobs.

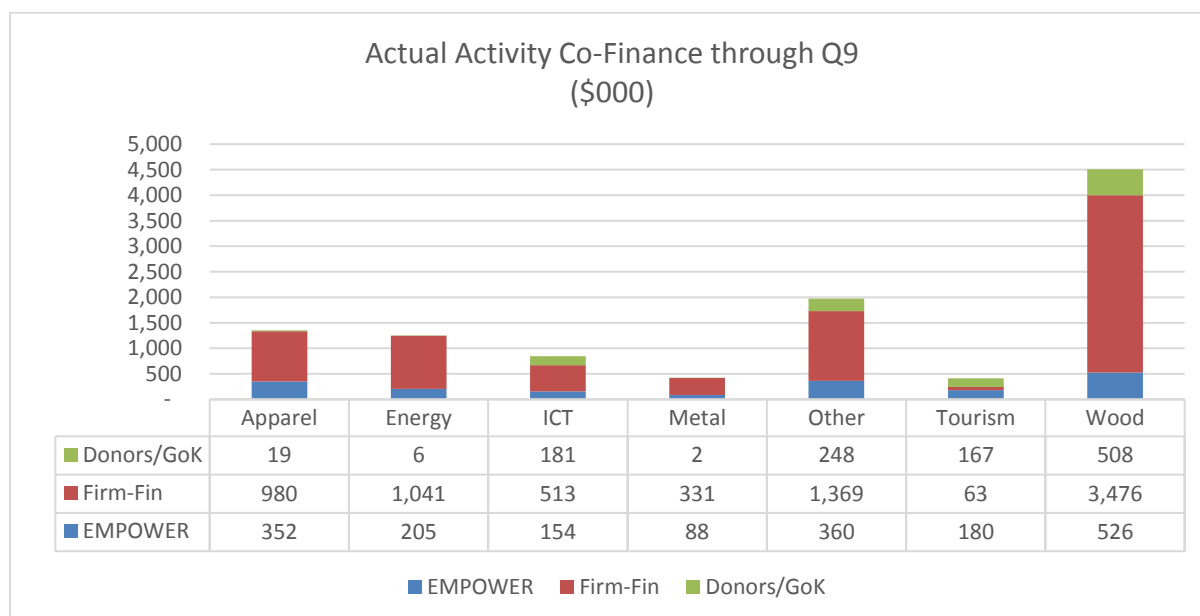
In addition, EMPOWER tracks supplier beneficiaries – domestic producers that are in the supply chains of larger companies receiving EMPOWER support. As of the end of Y2, we estimate that 200 Kosovo microenterprise producers' sales have grown as a result of support that EMPOWER is providing to their larger customer firms.

### 2.3.5 Donor and GoK Collaboration

EMPOWER consistently seeks collaboration all donor projects and GoK agencies that are engaged in private sector development in Kosovo, especially in competitiveness and workforce skills, but also in economic

development policy and the doing business environment. The figure below provides a snapshot of beneficiary and donor / GoK co-financing to date, which have enabled the Project to leverage its available grant funds by 5.8x through Year 2, significantly exceeding the 3.0x PMI target. Leveraging of EMPOWER funds is essential for the Project to achieve its job creation objectives, given the level of its grant funding.

**Figure 3: Co-Finance for Activities Initiated through Year 2**



Annex 5, Table 1 lists meetings that took place between the Project and other donors and GoK agencies during first two years of the project. At least 73 separate donor projects and government agencies and municipalities were visited in more than 128 meetings – an average of more than 2 per week.

EMPOWER also organized a number of cluster meetings bringing together groups of companies within its focus sectors, to consider market opportunities and challenges, and to

share information. Annex 5, Table 2 shows 39 meetings that the project facilitated in two years of the project. These meetings have helped create cluster identity, promote business-to-business networking within Kosovo, and develop shared competitiveness strategies.

### 2.3.6 Environmental Compliance

The Initial Environmental Examination Document DCN: 2015-KOS-036 applicable to EMPOWER Private Sector sets out the environmental reviewing, monitoring and reporting tasks for each activity subject to an environmental compliance procedure. Section 4.8.2 of the IEE provides that Implementing Partners (IPs) shall report on environmental compliance requirements as part of their routine project reporting to USAID.

EMPOWER conducts environmental compliance reviews, as required, for all grant-funded interventions. In Q9, EMPOWER's outside Environmental Specialist was engaged for 3 different funded activities, which were categorized as "negative determination with conditions", for which Environmental Review Checklists (ERCs) and Environmental Mitigation and Monitoring Plans (EMMPs) were prepared. All were submitted to USAID and after comments in many cases, resubmitted and approved by USAID's Bureau Environmental Office (BEO).

Environmental Monitoring: EMPOWER undertook monitoring visits to inspect the implementation of environmental measures, as indicated at the ERC-EMMP for each company/organization. Monitoring is based on environmental impacts, mitigation measures and monitoring indicators, as set out at the EMMPs for each activity. The monitoring visits included: (i) Visual observation and photographs related to: physical impacts, air emissions, water use, waste management, use of personal protective equipment (PPE), fire safety measures, ventilation, wastewater collection and discharge, hazardous materials storage, and (ii) Interviews with the owners or managers of companies, related to the progress made on completing: environmental permits, plans for implementing the mitigation measures.

EMPOWER prepares and files an Environmental Monitoring Report for each monitoring visit. A summary of the monitoring visits and their finding in Q9 is contained in Annex 5, Table 3.

## 2.4 General and Administrative

### 2.4.1 Strategic Activities Fund Management

On June 8, 2016, Sida partnered with USAID to provide additional funding to EMPOWER, enabling an addition of \$2.0MM to the original amount of the Project SAF, bringing the total to \$4.0MM. Following this, EMPOWER launched its second call for proposals, by publishing its Annual Program Statement #2 June 2016. In response, EMPOWER received 136 applications by the end of Y2, seeking \$7.1MM in finance.

*Table 18: SAF Grants & Procurements Approved by Type – through Year 2*

Status	Number	SAF	Co-Finance	Jobs	Leverage	SAF / JOB
Approved & Signed	103	\$3,044,871	\$11,438,184	3,089	4.8	\$986
Approved; not yet Signed	3	\$53,760	\$133,168	44	3.5	\$1,222
<b>Total Approved</b>	<b>106</b>	<b>\$3,098,631</b>	<b>\$11,571,352</b>	<b>3,133</b>	<b>4.7</b>	<b>\$989</b>
Breakdown by Support Area						
Production Expansion	57	\$2,171,312	\$9,623,227	2,017	5.4	\$1,076
Connection to Markets	28	\$448,369	\$673,542	216	2.5	\$2,076

Table 18: SAF Grants &amp; Procurements Approved by Type – through Year 2

Status	Number	SAF	Co-Finance	Jobs	Leverage	SAF / JOB
Workforce Development	17	\$346,864	\$720,243	800	3.1	\$434
Productivity and Quality	2	\$78,400	\$492,800	100	7.3	\$784
Business Environment	2	\$53,686	\$61,540		2.1	
<b>Grand Total</b>	<b>106</b>	<b>\$3,098,631</b>	<b>\$11,571,352</b>	<b>3,133</b>	<b>4.7</b>	<b>\$989</b>
<i>Of which:</i>						
North Kosovo	16	\$663,991	\$1,166,586	487	2.8	\$1,363
Microenterprise	38	\$888,194	\$2,560,807	618	3.8	\$1,437

This is an increase of \$1.9MM in SAF commitments over the course of Y2, for 65 additional activities. Of these, 4 were approved in Q9, for \$220K in funding. While the majority of grants continued to be for production expansion, the largest growth in funding for interventions was in connection to markets, almost 90% of whose support to date occurred in Y2. 36% of EMPOWER's beneficiaries were microenterprises, and 17% were in North Kosovo. Actual SAF disbursements through the end of Y2/Q9 totaled \$1.75MM – almost 60% of approved commitments.

At **\$989/job** overall through Y2/Q9, EMPOWER continued to be close to the nonbinding guideline of \$1,000 in SAF investment per new employment.<sup>7</sup>

#### 2.4.2 Public Events and Communications

*Regular EMPOWER progress communications: Newsletter, Facebook, Website*

In Y2 and Q9, EMPOWER issued every month its two-page newsletter in three languages, to summarize highlights, containing a central “success story” on the front page, news on grant agreements signed, selected beneficiary business results, and other activities. The newsletter was printed and distributed, and had broad dissemination via social media, mainly the EMPOWER Facebook page and an application (<http://mailchimp.com/>) used to easily email a shared item to over 400 EMPOWER contacts.

News on EMPOWER activities and success stories was also posted several times weekly over the course of Y2 and Q9 on the Project's well-maintained Facebook page and website ([www.empowerkosovo.com](http://www.empowerkosovo.com)). Relevant postings were also selected for the USAID Kosovo FB page and those of partner organizations such as AWPk and KAMA. During Y2 EMPOWER initiated the production and posting of videos about EMPOWER activities. The Project website was used as the primary channel for soliciting responses to request for proposals. During June 2016, page identities were updated with Sida's visual identity.

<sup>7</sup> Annex 3 provides a list of all SAF-funded grants and procurements provided by EMPOWER through Y2/Q9.



EMPOWER supported the “Made in Kosovo” campaign to promote the purchase of local products by Kosovo consumers and businesses.

During Y2, EMPOWER also produced brochures focused on renewable energy and energy efficiency, in connection with the First Kosovo Green Festival.

#### *Promotion through Media*

Throughout Y2, EMPOWER-supported events received extensive media publicity. Examples were the opening of the STIKK Training Academy, the Green Festival, the graduation of wood sector interns, the **Made in Kosovo campaign** launch, the inauguration of the new confectionery factory at Rolleo in Ferizaj, and

the opening of a new shared showroom for Kosovo furniture producers in Germany. These were officiated by high-ranking USG and GoK officials, including U.S. Ambassador to Kosovo Greg Delawie, Mission Director Jim Hope, USAID Assistant Administrator for Europe & Eurasia Thomas Melia (who was visiting the country at the time), the Kosovo Minister of Trade and Industry Hykmete Bajrami, and others.

To raise awareness of the value of private sector development and highlight success stories, EMPOWER sponsored five episodes of TV series devoted to the Kosovo economy, focusing on women in business, energy efficiency, and wood sector internships. Reflecting the public profile of the Project, EMPOWER staff and some beneficiaries were invited guests on broadcast media RTK, Klan Kosova, KTV, and Radio Kosova to talk about various project activities. Promotion even reached foreign media, with an article in a Stuttgart-based newspaper about the Kosovo furniture PSA in that country Stuttgart <http://bit.ly/2dcLmGb>

#### *Promoting Business through Communications*

EMPOWER collaborated with several websites including [www.albinfo.ch](http://www.albinfo.ch), [www.revistaporta.com](http://www.revistaporta.com), and [www.revistaflatra.com](http://www.revistaflatra.com) to promote the Green Festival, the newly-launched web portal for the apparel industry, and the participation of three Kosovo uniform producers in the bi-annual workwear fair in Bern, Switzerland..

EMPOWER supported development of a branding/visual identities for both the Kosovo apparel and wood processing sectors, including the logo for KAMA and re-branding of AWPK.



Kosovo-produced chairs, ready to be shipped to Germany, from “Kosovo Wood Processors Break Through to Foreign Markets”, a success story submitted to USAID.

In June, the web portal for the KAMA-managed Kosovo apparel industry was launched, and received positive feedback from industry professionals outside the country: Nataša Sivevska, Executive Director of Textile Trade Association of Macedonia, wrote “*The web page looks great, and it is easy to search the companies’ database. Congratulations, well done!*”.

#### *Success Stories*

During the reporting period EMPOWER submitted to USAID five “success stories”, two of which were published on the [usaid.gov](http://www.usaid.gov) website and disseminated via social media.

### 3. RESULTS VS. PERFORMANCE MANAGEMENT INDICATORS

EMPOWER Private Sector made significant further advances toward its quantitative and qualitative objectives during Q9 and Year 2. The launch of EMPOWER's SAF later than originally anticipated caused the top-line indicators – sales, exports, and jobs – to lag behind their cumulative original targets for Year 2. Furthermore, original targets failed adequately to take account of the fact that impact would be limited during the first year following grant approvals for production expansion, because equipment would have to be ordered and installed before employment and sales impact could occur. While targets are expected to be reached by the end of the Project, the path is for impact to gather momentum in later years. PMIs need to be adjusted accordingly.

#### 3.1.1 Results vs. PMIs Detail

Table 16 below lists all of EMPOWER's Project Management Indicators from its Performance-Based Management System (PBMS). The following are highlights:

1. Enterprise beneficiaries: The PMI cumulative target for the number of beneficiaries through Y2 is 260. The PBMS defines these companies as "one that has participated in or obtained direct support from any Project Activity". In terms of companies that received material assistance directly from EMPOWER, the number of these "Primary Beneficiaries" (PBs) was **183** through Q9. However, counting companies that domestically produce and supply production inputs to companies that received production expansion grants from EMPOWER – "Supplier Beneficiaries" (SBs), whose sales must grow if those receiving grants grow – adds an estimated 157 unique companies, bringing the total number of enterprise beneficiaries (PBs + SBs) to **340, 48** of which were new in Q9.
2. Aggregate sales increase of beneficiaries: **\$8.4MM** in Q9, **\$14.5M** in Y2, and **\$15.6MM** cumulative through Y2, versus a cumulative target of **\$61.8MM**. This shortfall reflects the delay in getting the SAF up and running, and the lag in installation of production expansion equipment post grant approval.
3. Aggregate exports increase of beneficiaries: **\$3.1MM** in Q9, **\$4.1MM** in Y2 as a whole, and **\$8.2MM** cumulative to date, versus the original PBMS target of **\$16.8MM** through Y2. Same reasons for the shortfall.
4. Business size expansion: The PBMS defines this indicator as "beneficiary Companies transitioning to a larger size category: micro-to-small (<10 to 10 or more), small-to-medium (10-49 to 50 or more), and medium-to-large (50-249 to 250 or more)", and on that basis the cumulative target through Y2 is **10**. **16** companies have achieved this transition to date, of which **3** in Q9 and **12** in Y2. To date, from micro to small transitioned 8 companies, from small to medium transitioned 7 companies, and from medium to large transitioned 1 company.
5. New geographic markets: These indicators count domestic regions or countries to which Beneficiary Companies newly sell as a result of EMPOWER assistance. The cumulative target through Y2 is **20**. Already, **111** new market entries are actually achieved, of which **23** in Q9 and **85** in Y2. New geographic markets for a number of

companies included regional neighbors (Albania, Montenegro, Macedonia, Serbia), Western Europe, mainly countries with large Kosovar diaspora populations (Switzerland, Germany, Sweden, France, Italy), and the United States.

6. New products sold: This indicator counts product types that Beneficiary Companies newly sell as a result of EMPOWER assistance. The cumulative target through Y2 is **20**. **48** new product entries are actually achieved – **16** in Y1 and **31** in Y2, of which **22** in Q9. New products were highly varied, from children's shoes to air filter types.
7. New technologies: The revised PBMS targets the new technologies and defines it as "number of Beneficiary Companies that have adopted new hardware or software technologies. New hardware includes technologies of the type or purpose that the company did not previously possess, and new production lines". The cumulative target for Y2 is **20**. To date, **38** Beneficiaries have adopted new technologies as a result of EMPOWER support, **12** of which in Y2.
8. Total new jobs: EMPOWER's most important indicator. Jobs are considered attributable when they are generated by EMPOWER support for production facilities and consequent sales expansion, for trade show attendance producing sales contracts, or for skills training / internships leading to employment. Jobs are (i) full-time, (ii) part-time / seasonal full-time equivalent (calculated as 1,800 hours/year), (iii) inferred employment calculated based on Primary Beneficiary (PB) sales increase at market development activities that have not been reported otherwise, and (iv) indirect employment derived from a model based on attributable purchases from direct suppliers of PB Companies.  
  
**225** new attributable jobs were created in **Q9**, and **807** in **Y2** as a whole, bringing the cumulative total since the beginning of the Project to **1,272**, versus the original cumulative target of **2,800**. This shortfall reflects the delay in getting the SAF up and running, and the lag in installation of production expansion equipment post grant approval.
9. Investment leverage: The indicator is defined as the total cash cost of EMPOWER-supported activity divided by EMPOWER cash investment, aggregated across all funded activities. The cumulative Y2 target was **3.0x**, and **5.8x** was actually achieved through Q9. The 5.7x is a result of \$1,864K disbursed by EMPOWER to date and \$7,774K leveraged by firms (private funds, bank finance, and FDI) and \$1,131K leveraged by collaborating institutions (local and international donors and Government of Kosovo institutions).

EMPOWER also tracks but does not target certain other indicators, as follows:

10. Number of Microenterprise beneficiaries: To date, **111** of the **183** PBs were microenterprises defined as "Primary Beneficiary Companies that had <10 employees at the time they applied for EMPOWER support". **64** of the MEs became EMPOWER beneficiaries in Y1 and **47** in Y2.
11. Number of Start-ups: **11** of our Primary Beneficiaries were start-ups within a year from the time they applied for EMPOWER support.
12. Number of domestic supplier beneficiaries: The revised PBMS includes as a separate, tracked but not targeted PMI the number of domestic supplier beneficiaries defined as "domestic companies that supply Beneficiary Companies with production inputs.



May be estimated based on a standard model and confirmed through interviews with Primary Beneficiaries.” Currently, the number of estimated supplier beneficiaries (SBs) is higher, yet **157** SBs have been confirmed through interviews and are unique beneficiaries.

13. CI Finance: Total collaborating institution (donors and local government) cost-share of EMPOWER-supported Activity investment through Q9 is **\$1.13MM**. **\$622K** of this cost-share was committed in Y1 activities and **\$509K** in Y2 activities.
14. Aggregate Private Institutional Finance: Based on interviews with Primary Beneficiaries, EMPOWER has come to the conclusion that cumulative through Q9 “increase in aggregate total loans from financial institutions of Beneficiary Companies over their baseline loans” is **\$3.74MM**. EMPOWER did not interview its Beneficiaries for financial institution support in Y1.
15. Value of Foreign Direct Investment: To date, one EMPOWER Primary Beneficiaries received **\$280K** as Foreign Direct Investment (FDI).
16. Value of Private Investment: Private co-finance in EMPOWER-supported activities by Enterprise Beneficiaries and other non-institutional investors is **\$3.76MM**. This cost-share is supported by evidence submitted to EMPOWER and is cumulative to Q9.
17. Tourist overnights: EMPOWER activities in Tourism have an overall impact on improving Kosovo’s reputation and in attracting tourists and improve the overall service of the Beneficiaries, so it is difficult to track exact attribution paths. Hence, EMPOWER has introduced new tourism specific indicators. Tourist overnights, defined as “number of tourists served by EMPOWER beneficiaries, multiplied by the nights/days they spend in Kosovo”, currently stands at **134**.
18. Tourism sales: Aggregate increased sales of providers of services to tourists are based on a model whose inputs are tourism overnights, average spending per overnight, and standard sales / employee ratios. This indicator currently stands at **\$23K** and it is included in the total sales increase of all beneficiaries.
19. Tourism jobs: This indicator is also calculated based on a model of tourism overnights, average spending per overnight, and standard sales / employee ratios, and it currently stands at **1**.
20. Foreign adventure tourist arrivals: To date, **33** foreign tourists have been served by EMPOWER beneficiaries; however, this number is expected to change following the tourism survey that EMPOWER will conduct.
21. Product quality certifications: To date, **7** formal certifications of product quality / safety have been obtained by five Beneficiary Companies, **1** of which in Y1.
22. Skills certifications: **380** individuals – **35** in Y1 and **345** in Y2 received skill certifications after attending EMPOWER-supported activities.
23. Person-hours of workforce skills training: Individuals attended **225K** hours of workforce skills training, **115** of which in Y1 and **110** in Y2 (18K in Q9).
24. Individual participants: To date, **878** individuals have attended training supported by EMPOWER, **503** in Y1 and **375** in Y2. Of these trainees:
  - 512 were women, 184 in Y2.

- 561 were youth (aged 18-24), 207 in Y2.
  - 65 were ethnic minorities, 59 in Y2.
  - 54 were in North Kosovo, 53 in Y2.
25. Internships / Apprenticeships: **559** individuals have attended internships / apprenticeships supported by EMPOWER, of whom **383** in Y1 and **176** in Y2. Of these interns:
- 329 were women, 86 in Y2.
  - 421 youth (aged 18-24), 141 in Y2.
  - 10 ethnic minorities, 5 in Y2.
  - 1 in North Kosovo, 1 in Y2.
26. Jobs for women: The revised PBMS tracks the aggregate number of new jobs for women created by Primary Beneficiaries and attributable to Project Activities. To date, **630** of the new jobs engage women, of which **255** in Y1 and **375** in Y2. The majority of jobs for women were in the ICT sector, followed by apparel and other.
27. Jobs for youth: Cumulative Y2 actual jobs for youth are **672**, of which **289** in Y1 and **383** in Y2.
28. Jobs for minorities: Cumulative Y2 actual jobs for ethnic minorities are **144**, of which **27** in Y1 and **117** in Y2.
29. Jobs in North Kosovo: EMPOWER's interventions in business competitiveness and training in this priority region created **116** new jobs – **21** in Y1 and **95** in Y2 - in North Kosovo.
30. Women in Management: EMPOWER encourages its Primary Beneficiaries to promote social inclusion in job creation, including in creating jobs for women in management. To date, beneficiaries have created **28** new management jobs for women.

### 3.1.2 Activities Planned for the Next Reporting Period

At approximately the same time as this report, EMPOWER will submit the EMPOWER Year 3 Workplan, with detailed activities planned throughout the next Project year.

**This concludes** the main body of EMPOWER's Y2 and Q9 report. Further detail is provided in the annexes listed in the Table of Contents at its beginning.



### 3.1.3 PMIs Summary Table

Table 19: PMIs Summary through Q9 Actuals

#### A. Targeted Indicators

Component/ AO	PMI #	Source / AIR <sup>1</sup>	Performance Indicator	Unit	Target (Cumulative) <sup>4</sup>								Reporting Frequency	Data Source
					2015		2016		2017	2018	2019	Total		
					Target	Actual	Target	Actual						
Beneficiaries	1	Custom	Number of enterprise beneficiaries	#	150	91	260	183 <sup>2</sup> / 340	300	350	400	400	Quarterly, Annual	Activities
1.Competi- tiveness	2	F / all	Aggregate sales increase of beneficiaries	\$000	6,608	1,065	61,824	15,580	28,000	56,000	100,000	100,000		Surveys
	3	F / all	Aggregate exports increase of beneficiaries	\$000	3,102	738	16,755	8,208	10,304	30,837	50,000	50,000		Activities, Surveys
	4	Custom / all	Business size expansion	#	5	4	10	16	15	20	25	25		Surveys
	5	CDCS / all	Number of new geographic markets entered by beneficiaries		10	26	20	111	30	40	50	50	Quarterly, Annual	Surveys
	6	CDCS / all	Number of new products sold by beneficiaries		10	16	20	48	30	40	50	50		Surveys
	12	F / all	Number of beneficiary companies that have invested new technologies	#		26	20	38	40	60	80	80		Activities, Surveys
2. Job-Creation	6	F / 2.1, 2.2	Total new jobs	#	250	465	2,800	1,272	2,250	3,250	5,000	5,000	Quarterly, Annual	Activities, Surveys
Leverage	13	Custom	Investment leverage	ratio	3.0x <sup>3</sup>	5.46	3.0x	5.8	3.0x	3.0x	3.0x	3.0x	Quarterly, Annual	Activities

<sup>1</sup>AIR = Activity Intermediate Result (see PBMS causal model) <sup>2</sup>Primary Beneficiaries only <sup>3</sup>Total activity funding from all sources divided by EMPOWER investment. Note: Monetary values originally in € and converted to \$ at 1.12 <sup>4</sup>2017, 2018, 2019. Total targets for PMIs #1, #2, #3, and #6 have been revised due to changes in the original SOW of EMPOWER where more grant funds were planned through local partner, they also reflect on more realistic economic potential of beneficiaries identified so far; the new targets with more detailed justification for changes in the targets will be submitted to USAID through PBMS Revision #6.

A. Additional Tracked / Non-targeted Indicators

Component/ AO	PMI #	Source / AIR	Performance Indicator	Unit	Cumulative		Reporting Frequency	Data Source
					2015	2016		
1. Competi- tiveness	1.1.1	Custom	Number of Microenterprise beneficiaries	#	64	111	Quarterly, Annual	Activities
	1.1.2	Custom	Number of Start-ups	#		11		
	1.3	Custom	Number of Domestic Supplier beneficiaries	#	185	157		
	8.1	Custom	CI Finance	\$000		1,131		
	9	F, Custom	Aggregate Private Institutional Finance	\$000		3,735		
	9.1	Custom	Value of Foreign Direct Investment	\$000		280		
	9.2	Custom	Value of Private Investment	\$000		3,759		
	10	Custom	Tourist overnights	#		134		
	10.1.1	Custom	Tourism sales	\$000		23		
	10.1.2	Custom	Tourism jobs	#		1		
	10.2	Custom	Foreign adventure tourist arrivals	#		33		
	11	F / 1.1	Number of new product quality certifications obtained by beneficiaries	#	1	7		
2. Job- Creation	13	F / 2.1	Number of workers with certified job skills / qualifications	#	35	380	Quarterly, Annual	Activities
	14	F / 2.1	Person-hours of workforce and management skills training	#	115	225		
	1.3	F, Custom / 2.2 <sup>1</sup>	Individual participants (trainees)	#	503	878		
	1.4		Individual participants – Women	#	328	512		
	1.5		Individual participants – Youth (18-24)	#	354	561		
	1.6		Individual participants – Minorities	#	6	65		
	1.7		Individual participants – North Kosovo	#	1	54		
	1.8		Internships / Apprenticeships	#	383	559		
	1.9		Internships - Women	#	243	329		
	1.1		Internships - Youth (18-24)	#	280	421		
	1.11		Internships - Minorities	#	5	10		
	1.12		Internships - North Kosovo	#	0	1		
	7.1		Jobs for Women	#	255	630		
	7.2		Jobs for Youth	#	289	672		
	7.3		Jobs for Minorities	#	27	144		
	7.4		Jobs in North Kosovo	#	21	116		
	7.5		Women in Management	#		28		

<sup>1</sup>Trainees, internships, and jobs in subcategories are not additive – they overlap